

# **CITYFIBRE INFRASTRUCTURE HOLDINGS LIMITED**

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY NUMBER 08772997

*The following is an excerpt from the audited annual financial statements of CityFibre Infrastructure Holdings Limited for the year-ended 31 December 2021 (“the financial statements”). The remaining information in the financial statements has been excluded from this document on the basis that it contains commercially sensitive information. On or before 30 September 2022, this document will be replaced on the company’s website by the financial statements, at the same time as these are filed with Companies House.*

*Subsequent to signing the financial statements, CityFibre successfully completed a £4.9 billion debt raise. Further details of this debt raise can be found here:*

*<https://cityfibre.com/news/cityfibre-completes-a-4-9bn-debt-raise-in-one-of-europes-largest-ever-full-fibre-financings>*

## **Company ownership**

Connect Infrastructure Topco Limited, a company incorporated in the UK, is the ultimate parent company of CityFibre Infrastructure Holdings Limited (the ‘Company’ or ‘CityFibre’). At the start of 2021, Connect Infrastructure Topco Limited was jointly controlled by a consortium formed by Antin Infrastructure Partners and West Street Infrastructure Partners, a fund managed by Goldman Sachs. Mubadala Investment Company and Interogo Holding joined the existing investors and became minority shareholders after investing in August 2021.

## **Antin Infrastructure Partners**

Antin Infrastructure Partners is a leading independent private equity firm focused on infrastructure investments. Based in Paris, London and New York with 21 partners and 163 professionals, the firm manages five funds that invest in infrastructure in Europe and North America targeting investments in the energy and environment, telecommunications, transportation and social sectors.

In 2010, Antin Infrastructure Partners successfully raised and fully invested a first fund of €1.1 billion, a second fund in 2014 of €2 billion, and a third fund of €3.6 billion (at the hard cap) in December 2016. A fourth fund of €6.5 billion (hard cap) was raised in July 2020 and a fifth fund closed in June 2021, its first dedicated mid cap fund, which significantly exceeded the fund’s €1.5 billion target to reach its hard cap of €2.2 billion. These funds are backed by 200 institutional investors comprising pension funds, insurance companies, asset managers and sovereign wealth funds from across Europe, North America, the Middle East, Asia and Australia, including pension funds, insurance companies, asset managers and sovereign wealth funds. Antin Infrastructure Partners has approximately €23 billion of Assets Under Management as at 31<sup>st</sup> December 2021.

On 27 September 2021, Antin successfully completed an initial public offering on Euronext Paris. Post IPO, the Partner Group retains a significant majority stake (current free float of approximately 15%) and remains strongly committed to the firm. The funds raised will allow Antin Infrastructure Partners to continue scaling up its Flagship strategy and to develop the recently launched Mid Cap and NextGen strategies, while also expanding into new geographies.

Antin Infrastructure Partners has significant experience in acquiring and owning telecom infrastructure assets. In particular, through its ownership of Lyntia (a leading independent wholesale fibre platform in Spain), Firstlight (a leading provider of fibre bandwidth services to enterprise, wireless and carrier customers in six states across the North-eastern U.S.) and Eurofiber (a leading independent fibre network in the Netherlands, Belgium and France, serving corporates including telecoms and utilities businesses, SMEs, NGOs and public organisations), Antin Infrastructure Partners has developed an in-depth understanding of the relevant business models, key risks and growth drivers involved in owning a fibre roll-out asset.

## **West Street Infrastructure Partners**

West Street Infrastructure Partners is one of a series of funds managed by the Alternatives Business within Goldman Sachs Asset Management (“GS Asset Management Private”) to make direct investments in infrastructure and infrastructure-related assets and companies globally. Goldman Sachs is a leading global investment banking, securities and investment management firm headquartered in New York and with offices around the world, including London. With approximately \$285 billion of capital invested since 1986 and approximately \$426 billion in total Goldman Sachs alternative assets (as of 31 December 2021)<sup>1</sup>, GS Asset Management Private is one of the world's leading private investing platforms with a mandate to manage Goldman Sachs' private corporate investment activities across dedicated corporate (private & growth equity), real estate, credit and infrastructure investment strategies. Since the inception of the infrastructure business in 2006, GS Asset Management Private has raised more than \$17 billion of capital dedicated to the infrastructure investment strategy and have total assets under management of approximately \$9 billion.

West Street Infrastructure Partners has substantial experience in communication infrastructure assets. Its partner infrastructure funds have invested in the US telecoms sector in Unison and Vertical Bridge (telecoms towers), ExteNet (small cells and distributed network services), Global Compute (a new global data centre platform led by former Digital Realty co-founders and senior executives), and most recently ImOn (a regional FTTP platform). Affiliated funds managed by Goldman Sachs within GS Asset Management Private, have invested in several European communication infrastructure companies, including Kabel Deutschland, Cablecom and Get.

## **Mubadala Investment Company**

Mubadala Investment Company (‘Mubadala’) is one of the world’s leading sovereign investors and manages a diverse portfolio of assets and investments in the United Arab Emirates and abroad, to generate sustainable financial returns for its shareholder, the Government of Abu Dhabi.

Today Mubadala is a \$243 billion (AED 894 billion) business that spans six continents with interests across multiple sectors and asset classes. Headquartered in Abu Dhabi, Mubadala also has offices in London, Rio de Janeiro, Moscow, New York, San Francisco and Beijing.

Mubadala’s investment into CityFibre is in line with the United Arab Emirates/United Kingdom Sovereign Investment Partnership. The partnership, which Mubadala oversees for the UAE and the Office for Investment for the UK, serves as a coordination platform to grow a future-focused investment relationship between the two nations and enable growth, employment, and global competitiveness across priority sectors.

## **Interogo Holding**

Interogo Holding is a foundation-owned international investment business, whose strategies include private and long-term equities, real estate, infrastructure and liquid assets. Interogo Holding focuses on sectors and strategies where it can benefit from its long-term business approach, financial strength and commitment to also consider non-financial aspects of an investment.

The infrastructure investment business targets direct investments in Europe and North America, across the infrastructure sector. The strategy is to acquire holdings in infrastructure companies that provide essential services to society, are recession resilient, and offer downside protection through stable and predictable cash flows.

<sup>1</sup> Represents Goldman Sachs total assets under supervision for alternative investments as well as non-fee-earning alternative investments.

## **Company's directors**

### **Greg Mesch (Chief Executive Officer)**

With over 35 years of telecoms, internet and technology-based experience behind him and five companies successfully built from start-up phase, Greg is experienced when it comes to business plan development, management team building and the capital formation of high growth, communications and technology based companies.

### **Nick Dunn (Chief Financial Officer)**

Prior to joining CityFibre in January 2021, Nick served the last ten years as CFO at Gatwick Airport. Before that, he worked with Anglo American plc and with Centrica plc for six years in a number of senior finance roles, including Director of Group M&A, Finance Director for Centrica Energy as well as Finance Director for British Gas Business.

Nick also brings more than ten years' experience in investment banking, with the majority of that time spent specialising in the infrastructure sector. Working on acquisitions, IPOs and financing transactions in the UK and internationally, he has advised both governments and private investors.

### **Simon Holden (Chief Operating Officer)**

Prior to joining in March 2019, Simon was a partner at Goldman Sachs where he held senior roles in London and New York in the Investment Banking division as well as a number of leadership roles in the Telecom, Media and Technology banking team. Before that, Simon worked for Baring Brothers in London and Hong Kong. He trained as a Chartered Accountant with Coopers and Lybrand.

Stephen Holliday (Chairman)

M Botto Poala (Non-Executive Director)

P Camu (Non-Executive Director)

R Clark (Non-Executive Director)

M Crosbie (Non-Executive Director)

S Ifker (Non-Executive Director)

S Flood (Non-Executive Director)

A Belkahia (Non-Executive Director)

M Barakat (Non-Executive Director)

## **CityFibre – at a glance**

CityFibre was founded to build a new generation of Full Fibre infrastructure for the UK - a network capable of transforming the digital capabilities of citizens and businesses, sparking innovation and underpinning our economy in a gigabit age.

Today we operate the UK's largest and finest independent Full Fibre platform. Our high quality digital infrastructure enables our wholesale customers to serve ultra-reliable, gigabit speed and futureproof broadband, ethernet and 5G services to homes, businesses, schools, hospitals and GP surgeries - plus anything else that needs a digital connection.

CityFibre has network rollouts already under way and plans to pass up to 8 million homes and businesses with open-access Full Fibre infrastructure across 285 towns, cities and villages in the UK.

# STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

## CEO review

Despite the far-reaching impact of the COVID-19 pandemic on all aspects of the UK economy and global supply chains, CityFibre has continued to build on solid foundations in 2021, delivering major financial, operational and commercial progress and further strengthening its position as the UK's third national digital infrastructure and a key enabler of the Government's ambitions for nationwide coverage of Gigabit-capable broadband.

In March 2021, we made public our rollout plans, identifying the 285 cities, towns and villages that comprise our stated £4 billion investment programme. Expected to be substantially completed by 2025, the rollout addresses approximately a third of the UK market including up to 8 million homes, 800,000 businesses, 400,000 public sector sites and 250,000 5G access points. This will make CityFibre the largest independent carrier-neutral Full Fibre platform in the country and the largest independent investment in the UK's digital infrastructure for a generation.

### *Building Our Network*

Our rollout's momentum and progress continued from strength to strength throughout the year as we successfully contracted and mobilised a network of 28 local and regional build partners, commencing projects in 31 major metropolitan areas. Our build programme was further reinforced by an extension and expansion of our existing partnership with Bechtel, one of the world's leading engineering, construction, and project management companies.

Bechtel's teams have been fully integrated into our organisational structure since September 2020, enabling us to accelerate the mobilisation of our build partners and manage a growing number of parallel full town and city rollouts. Bechtel has also helped us to strengthen our project controls to enhance operational management, establish improved controls around risk and change, and crucially increase our productivity, growing the numbers of trained civils operatives working on our projects and improving the volume and quality of their output.

The compounding of these productivity improvements, alongside the continued commencement of new build projects, enabled us to reach a critical milestone of more than one million homes Ready for Service ('RFS') in November 2021. Independently verified, the milestone marked CityFibre's emergence as the largest scale alternative to BT Openreach in the UK market and the dominant provider of Full Fibre lines in more than 25 locations.

Thanks to the progress of our rollout in 2021, CityFibre's portfolio of over 30 consumer Internet Service Provider ('ISP') partners can now offer market-leading, Gigabit-capable, symmetrical broadband services in as little as 5 working days from order to over one million UK households.

### *Capital Raises*

Demonstrating the relevance and attractiveness of CityFibre's wholesale digital infrastructure business model and recognising its growing momentum in the delivery of our plans, in September 2021 the Group announced it had secured £1.125 billion in the largest capital raise ever dedicated to Full Fibre deployment in the UK.

The capital raise notably included £675 million of new equity investments from Abu Dhabi's Mubadala Investment Company, one of the world's leading sovereign investors, and Interogo Holding, a foundation-owned investment group. Mubadala and Interogo joined CityFibre's existing investors Antin Infrastructure Partners and the Infrastructure business within Goldman Sachs Asset Management, as minority shareholders.

Mubadala's investment into CityFibre also marked the first capital deployed under the new infrastructure vertical of the United Arab Emirates/United Kingdom Sovereign Investment Partnership. In March 2022, Mubadala announced a further equity commitment of £300m to CityFibre bringing the total capital raised to £1.425 billion.

The capital raise also included £150 million of equity from existing shareholders Antin Infrastructure Partners and West Street Infrastructure Partners, as well as a £300 million extension of our existing £820 million banking facilities. Crédit Agricole CIB and National Australia Bank joined the syndicate alongside other major global financial institutions that are demonstrating their continued support, including ABN Amro, Banca IMI, Lloyds, NatWest, and Société Générale.

### *Filling Our Network*

2021 was also a particularly strong year for CityFibre commercially, cementing our position as a network of choice for a growing number of communication providers.

Over the course of the year our ISP partnerships increased significantly from 14 to 35. Complementing our existing major partners Vodafone, TalkTalk and Zen, many of these new partners target one or more local markets and were onboarded and enabled in a matter of months, allowing us to maximise effective retail coverage of our ready for service networks.

Most significantly, a major expansion of our strategic partnership with Vodafone has established them as CityFibre's anchor customer nationwide, increasing their long-term volume commitments from 12 to 285 cities, towns and villages across our entire 8 million home target rollout.

The new agreement marked not only Vodafone's confidence in our business but also their continued support for wholesale infrastructure competition at scale in the market. Since the outset of our partnership, we have worked together closely to develop the market and maximise take-up. This has resulted in Vodafone's market leading "Gigafast" services achieving twice the rate of take-up over our footprint compared to its market share in other parts of the country.

Critically the deal also supports a major investment of over £65 million in a new national access network to interconnect our existing local fibre networks and accelerate our partners' speed to market. The new network is already making it far easier, faster and more cost effective for Vodafone and other ISP partners to bring services to market across a nationwide footprint.

Major progress was also made in the operational and commercial support provided to our partners to ensure a continued increase in customer orders. Alongside a bolstered account management function under a new Chief Sales Officer, we also made significant headway in the demand stimulation and lead-generation activities with the appointment of a new Chief Marketing Officer. We saw material improvements in sales volumes with orders increasing 68% year on year.

Thanks to the impact of these improvements and the roadmap of marketing and partner enablement in 2022, we are confident that this trend in increasing sales volumes and customer penetration will continue.

### *Our People*

Delivering against our ambitious plans necessitated substantial organisational growth in 2021 with more than 500 new FTEs joining the business, increasing our headcount by 38% year on year. Despite the extraordinary rate of growth, we were delighted that our efforts to onboard and support new joiners enabled us to maintain our position in the top 10% of businesses for employee satisfaction.

In addition, our focus on nurturing diversity within our organisation continued to deliver strong improvements to the representation of women in our business. What is more, we were extremely proud to be recognised as a Times Top 50 Employers for Women in the UK, an achievement on which we intend to continue to build in the years to come.

The health, safety and wellbeing of employees and contractors remains our primary concern. We established the concept of 'High Potential' events in 2021, which ensures that, regardless of level of actual outcome, those events which have significant risk get the most attention. Additionally, the CityFibre Head of Safety, Health and Environment established an industry group including peers and competitors in the Fibre sector, to provide more consistency around working standards and to allow for more effective benchmarking.

### *Our Planet*

We recognise that, as a result of our activities, we can create negative impacts on the environment and understand that a damaged environment has broader consequences for the health and wellbeing of society. Climate change is the defining challenge of this generation and we understand the critical role we need to play. The biggest contribution we can make is through enabling national fibre uptake to replace power hungry copper-based networks, but we must also reduce our own impact on the environment.

During 2021, CityFibre undertook a comprehensive review of its approach to sustainability, involving extensive stakeholder engagement and benchmarking. The results of this review reconfirmed priority issues but also the need to accelerate our programme in other areas. This includes the commitment to achieving Net Zero by 2030, if not sooner.

To support this, CityFibre continues to work with an external sustainability consultant, Anthesis, who have been supporting our reporting in line with SECR (Streamlined Energy and Carbon Reporting) and ESOS (Energy Savings Opportunity Scheme). We have also continued our membership of Business in the Community (BITC), the largest and oldest business-led membership organisation in the UK dedicated to furthering responsible business. Our membership helps to highlight our intent in this area and provides access to tools to chart our progress alongside other businesses.

### *COVID-19*

While the COVID-19 pandemic continued to surge throughout 2021, thanks to the early and effective action CityFibre had taken to protect our staff, secure our supply chain and stabilise our build, we have been able to manage many of the negative impacts.

Throughout 2021, the health and safety of all continued to be our number one priority and we were delighted that our careful management of build partners ensured that productivity across our rollouts remained high. Just as had been implemented in 2020, all construction operatives and critical personnel were designated as Key Workers and protocols to ensure prompt isolation of suspected and confirmed cases saw very little impact from transmission amongst our field or office-based personnel.

We remain proud of our handling of the impact of the pandemic on our employees and customers and thank everyone for their commitment to the business throughout this challenging period.

## **Overview of performance**

### *Financial performance*

Group revenue of £64.3 million represents growth of 2% compared to the prior year of £63.1 million. Underlying 'on-net' revenue growth on CityFibre's network (excluding non-recurring revenue for capacity sales, 2021: £nil, 2020: £3.6 million) was up 23%, increasing from £26.4 million to £32.5 million while 'off-net' revenues relating to sales provisioned on other networks fell by 4% to £31.8 million, (2020: £33.1 million). 'On-net' revenue accelerated through the year with Q4 revenue growth up 32%, from £7.2 million to £9.5 million.

The Group's network assets at cost increased to £1,547.8 million from £834.1 million at 31 December 2020. This was principally driven by the construction of the Full Fibre infrastructure programme which gathered significant momentum in the year, in addition to network investments resulting from new sales.

Group Adjusted EBITDA loss of £49.5 million (2020: £30.0 million) reflects the significant investment in marketing and operating costs required to scale the business to deliver the network infrastructure roll-out and support customer growth. The increase in loss after tax to £133.4 million (2020: £103.5 million) reflects the change in Adjusted EBITDA in both quantum and drivers.

### *Non-financial KPIs*

The continued build of CityFibre's Full Fibre network remains a key focus with homes passed growing by 883,000 in the year to achieve over 1.4 million homes passed cumulatively by the end of 2021. Consumers can now access our services in 57 cities (2020: 27), and a further 30 cities have been approved for contractor awards to give a total approved footprint of 87 cities as CityFibre continue to build out to the stated ambition of up to 8 million premises.

Filling our network was another priority and there was strong sales volume growth again in 2021, with 68% year on year increase in on-net connections sold across all verticals, from 25,158 to 42,147 in 2021. In 2021, COVID-19 continued to raise challenges, restricting sales activity in the Consumer space. However, CityFibre managed to sell almost 39,000 consumer connections (2020: 20,339), with 90% coming from our major ISP partners, Vodafone and TalkTalk. Business connection sales also grew 53% from 1,192 to 1,827 with contract values of over £21 million (2020: £15.3 million). Public Sector continues to play an important role in anchoring our networks and CityFibre secured 1,257 new connections in 2021 (2020: 1,775). Mobile sales slowed from 2,131 connections sold last year to 85 as the focus moved to delivery of secured contracts. CityFibre continues to successfully monetise the network it is building across all verticals with the focus increasingly on delivering Consumer connections at scale, as demonstrated by year-on-year connections growing in Q4 by 199%.

The Group ended the year with 1,857 employees (1,852 full-time equivalent staff ('FTEs')), compared to 1,347 employees (1,340 FTEs) at the end of 2020, as it scaled up capabilities and the support for the network rollout.

## **Outlook**

Despite the continued disruption from the COVID-19 pandemic, 2021 saw the business gain strong momentum on all fronts. Scaling and build execution remained our primary focus but with our network fill strategy now also reflecting significant progress in Consumer connections. By continuing to onboard additional ISPs and increasing the number of cities our strategic partners are able to sell in, we delivered a step-change in order volumes through the final quarter of the year in particular.

This trend has continued in 2022 as we are already experiencing significantly increased Consumer orders and connections, especially from our largest ISPs, Vodafone and TalkTalk, as the footprint available to them continues to grow at pace.

With more than 1.5 million homes passed by our network by the end of March 2022, and 1.3 million Ready for Service premises, our relentless focus on the scaling of our build programme is paying dividends. By the end of 2022, we expect to have doubled our network footprint from last year, reaching over 2.2 million homes across 81 major metro area locations. This progress will be a further step-change in the scaling of our network.

There are also encouraging signs that the take-up of Full Fibre broadband services by consumers is gaining momentum. In Milton Keynes, one of CityFibre's most mature city networks, we have now exceeded 20% take-up of the available network, despite only just having completed our first pass build to over 90,000 homes. This provides us with confidence that our increasingly sophisticated demand stimulation activities and our partners' improving marketing capabilities are having a major impact on our consumer penetration figures. This represents a significant step towards fulfilling the Group's overall strategy and ambition.

CityFibre is also evaluating further opportunities to expand its nationwide rollout ambitions. This could entail the extension of more of its existing build projects alongside possible participation in the 'Project Gigabit' rural programme being overseen by Building Digital UK ('BDUK').

A process of refinancing and expanding the Group's debt facilities has commenced in 2022 with the aim of securing the additional capital funding required to fully underpin the build ambition of reaching 8 million premises. Progress to date is positive, with an expectation that the process will conclude shortly.

I am confident that the Group will continue to make positive progress in achieving its strategic vision, and the Directors and I congratulate our staff on their continued commitment, tenacity, and hard work in securing the successes achieved to date and supporting the Group's future development.

## Principal risks and uncertainties

	<b>Risk</b>	<b>Mitigation</b>
<b>Construction</b>	The Group partners with construction firms to deploy network assets. This exposes the Group to the wider macro-economic impacts on these firm's cost bases.	The Group contracts with multiple construction partners to reduce the level of exposure to any single firm, with a robust supplier selection process. Re-measurable contracts are in place with construction firms to ensure that CityFibre only pays for what is built. We award long term contracts which provide increased certainty for the contractor, have ongoing supplier relationship management and monitoring of contractor financial position and make early interventions to support contractors where required.
<b>Health &amp; Safety</b>	The Group is involved in activities and environments that have the potential to cause serious injury to its stakeholders, or to damage property, the environment or its reputation. It is reliant on a large subcontracted workforce operating to high standards and procedures.	The health and safety of people is the primary focus of the Group. To control risk and prevent harm, the Group is focused on achieving the highest standards of health and safety management. This is achieved by establishing effective health and safety procedures and ensuring that effective leadership and organisational arrangements are in place to operate these procedures.
<b>Labour supply</b>	The Group is unable to secure and maintain the required skilled labour to build the full fibre network at required speed and quality in a market with high demand on the supply of labour.	The Group actively works with build partners by providing contractual terms, training and incentive schemes that help them attract and retain labour. We will actively build a labour resource pipeline in order to facilitate resourcing capability for our build partners. We provide advance timelines of work to our contractors to allow them to plan resourcing requirements for the longer-term.
<b>Supply Chain</b>	Unable to secure required materials to the timetable needed due to worldwide shortage, which could reduce the speed of building the Full Fibre network.	The Group has dual suppliers for key materials, factors in long lead times when ordering goods and holds sufficient stock levels to minimise disruption to the Full Fibre network build activity.

**Competition**

New smaller entrants have emerged, building Full Fibre infrastructure in some instances in UK towns and cities where we are also building, competing with CityFibre for customers and resources.

The Group currently represents a wholesale Full Fibre network of scale in the UK. Its access to capital, wholesale model, existing network assets, existing revenue streams and expertise give it a defensible competitive position. Our long-term contracts with ISPs continue to support this position.

**Regulation & Government Policy**

Despite the current clear support for alternative network operators, a shift in policy by Government or a failure by OFCOM to address anti-competitive behaviour in the Full Fibre wholesale market could have an adverse impact on the Group.

The Group continues to engage proactively with Ofcom and Government and take actions necessary to ensure its position is appropriately represented and protected. This includes a major engagement programme across all relevant Government departments and other political stakeholders highlighting the indispensable contribution we are making to achieving the Government's strategic objectives, and proactive engagement with Ofcom to ensure that it undertakes the necessary regulatory actions to safeguard CityFibre's competitive position.

**Liquidity (financial risk)**

There is a reliance on the Group's ability to access and secure adequate equity and debt funding during the network build phase of the business lifecycle.

The Group has a diverse base of lenders, and our shareholders have significant equity commitments to the business. The Group prepares short and long term cashflow forecasts for the purposes of planning and managing cash requirements. This includes forecasting and proactively triggering capital raises as required, for which we engage early support from qualified financial advisors. A process of debt financing has commenced in 2022 with the aim of refinancing our existing facilities and securing additional capital funding by upsizing our capex facilities to underpin the build ambition of reaching up to 8 million premises.

**Interest Rates**

The Group has a floating interest rate exposure linked to SONIA that it pays on its debt facility.

The Group has appropriate hedging instruments in place to mitigate its exposure to interest rate fluctuations.

## **Responsible Business**

CityFibre is a business with a clear purpose. The digital infrastructure we build will help transform society, underpin global Britain's economic future and unleash our full potential. As we build our networks, we have a duty to act responsibly, ensuring we play our part to leave a fairer, greener and healthier world behind us. Not to do so would be to undermine the positive legacy we are determined to build.

We already track and report internally on many important aspects of our environmental and social impact. However, we are continually benchmarking and measuring our activities to ensure we continue to set ambitious goals, and that we meet them.

CityFibre has conducted a comprehensive review of its approach to being a responsible business, focusing on where it can create the most positive impact on society, minimising its operational impact on the planet and maximise opportunities through a diverse and happy workforce. The resulting principles of responsibility are being embedded to inform everything we do as a business.

### **Our people**

We'll only be able to make a truly positive impact if our growing CityFibre family, and those working alongside us, are happy, healthy and representative of the diverse communities we serve. That's why we put huge emphasis on wellbeing, inclusion, diversity and nurturing young talent, supporting our people to bring their true self to work and build a lasting career in a sector critical to our future success.

### **Our society**

Digital infrastructure is of critical importance to our society. That's why we're committed to helping build inclusive, enabled and engaged local communities in all our rollout locations. Working with build partners, we've also helped to create a wide variety of apprenticeships and entry level roles. From supporting digital inclusion initiatives, investing in programmes driving diverse participation in STEM education or even just a community litter-pick, we're helping to make a difference.

### **Our planet**

Fibre optic networks are significantly less carbon-intensive than their copper predecessors. However, our nationwide rollout is still a major infrastructure project so we're committed to achieving our 'net zero carbon emissions by 2030' plan with an ambition to go further. Through optimising our working practices and working closely with expert partners and our supply chain, we are determined to play our part in a greener future for Britain.

## **The CityFibre Way**

As our business grows at pace, it is important to us that we do not lose sight of our company's culture that underpins everything we do. The CityFibre Way, is how we think, act and work. It's our way of doing things. It identifies our key behaviours.

When these behaviours come together, they shape our culture to bring out the best in us, set us apart from our competition, and make our customers remember us. The CityFibre Way has proven hugely successful throughout the organisation with employees being able to recognise their qualities and the business potential creating a high energy working environment that our employees are proud to be a part of.

Over the past year, we have put significant efforts into tackling mental health issues across our business and we have trained more than 40 mental health first aiders who work proactively across the business, as well as all senior managers receiving a half-day mental health awareness training. We have also rolled out LEAD, our line manager development programme, and have continued our partnership with AXA's Employee Assistance programme. We have facilitated and promoted more flexible working patterns to cope with the challenges of lockdown on families and we have encouraged all staff to have 'screen-free time' daily from 1-2pm.

Throughout the financial year, we have continued to prioritise our employee wellbeing due to COVID-19. Our focus has been on ensuring we remain in communication with our colleagues and ensure they are kept informed, whether by presentations and question and answer sessions with senior leadership or through other channels, on the actions being taken to keep them safe and to equip them for work as well as to address their wider wellbeing.

## **Diversity and Inclusion**

We want our business to be innovative and productive so that we can deliver on our promises to our customers and theirs. A diverse workforce and inclusive work environment are critical to achieving this. The more we use diverse perspectives to help make our business decisions, the more competitive we will be in a fast-moving industry.

### **Gender Diversity**

As of 31st December 2021, CityFibre's gender split was as follows:

- Total Employees: 1,857 employees (excluding contractors), of which 484 identify as female
- Line Management Roles: 406 total, of which 105 identify as female
- There were 42 employees employed in the capacity of Executive or Director at CityFibre, of which 10 (23.8%) were female.

CityFibre remains committed to being an equal opportunities employer. Women are underrepresented across the telecommunication, construction and technology industries. However, CityFibre is committed to improving our gender diversity and, in addition to the launch of the Gender Network, have put in place many initiatives to help achieve this.

We recognised that to drive success we needed a baseline. Therefore, in February 2021 we launched a self-declare campaign asking our employees to register their demographics in our HR System and in May we launched our new recruitment platform to capture statistical demographic insights from application through to hiring. We also published our Gender Pay Gap report for the first time which allowed us to view our position as of April 2020.

Recognising that our Gender Pay Gap is, in part, due to there being a shortage of suitably qualified females in the market for the roles that we need, we launched our Planner and Build Assurance Academies which aim to take unskilled workers through intensive training. In the short term our pay gap will widen but there will be a positive impact in the longer term.

We undertook a review of all our policies ensuring inclusive language and consistency throughout. This also led to the creation of new policies and guidance packs covering multiple topics such as Menopause, Transitioning at Work, Domestic Abuse.

The Group used the Stonewall Equality Index, Times Top 50 question set, Disability Confident assessments and others as benchmarking exercises so we could see where we had gaps then prioritise improvements.

We empowered and increased the reach of our 4 employee networks, creating visual identities as well as providing Terms of Reference and supporting them to implement key roles. We also sponsored TLA Black Women in Tech's Voices in the Shadows as well as the WES (Women in Engineering Society) student conference.

### **Health and Safety**

We have a fundamental duty of care to ensure our employees are kept safe at work, and that their health is not impacted as a result of their employment. The health, safety and wellbeing of employees and contractors is our primary concern. Any safety incident is one too many, and we work to improve our performance through effective policies, standards, procedures and training. We measure safety performance through a combination of leading and lagging indicators and Lost Time Injury Frequency Rate is one of the core KPIs of the business. We take a proactive, risk-based approach to managing health and wellbeing and have documented standards relating to Occupational Health and Safety. Incidents are reported to the highest level of the organisation with monthly Health and Safety updates to the board.

CityFibre appointed a Head of Safety, Health & Environment who is a Chartered Member of the Institute of Occupational Safety & Health (CMIOSH) in April of 2021. The Safety, Health and Environment (SHE) team grew from 15 professionals at the start of 2021 to 35 by the end of the year. This growth was commensurate with the increase in the number of cities in build and demonstrative of the commitment of the CityFibre Senior Leadership Team.

In 2021 we introduced a set of key risks and golden rules after internal consultation and review of industry health and safety data. The key risk areas are those that could foreseeably result in fatalities or life changing injuries- service strikes, driving, contact with moving vehicles, work at height, lone-working and mental health. Going forward, CityFibre will establish roadmaps for each key risk area to ensure that the risk profile is constantly under review and being reduced.

The concept of 'High Potential' events was established in 2021. This ensures that, regardless of level of actual outcome, those events which have significant risk get the most attention. The detailed analysis of these incidents allows us to regularly provide updated safety information to key stakeholders including Clients. An Incident Review Board (IRB) was established to cover these high potential events. The IRB is attended by Senior Management and multiple stakeholders across the business on a bi-weekly basis to embed ownership of incidents and to maximise learning opportunities through sharing across a wide audience.

We introduced Principal Contactor performance tables in 2021 in order to compare health and safety performance across a number of metrics. An intervention process was established for those contractors featuring in the lower quartile of the 'performance tables' consistently over a 3-month period. The Contractor Continual Improvement Plan (CCIP) enables new priorities to be established and actions set which will help the Principal Contractor to succeed against KPIs and other performance measures. Review meetings take place on a weekly basis and if a Principal Contractor fails to engage with the process or doesn't exhibit meaningful improvement, this informs business planning in respect of allocation of further works and possible termination of contract.

CityFibre maintained its health and safety management system compliance with the ISO45001:2018 standard which provides the basis of our commitment to our employees and the interested parties we serve. In 2021 we received no non-conformances from the external auditors monitoring our compliance against the standard.

In 2021 the Head of Safety, Health and Environment established an industry group including peers and competitors in the Fibre sector, to provide more consistency around working standards and to allow for more effective benchmarking. The Safety & Health in Fibre Telecoms (SHIFT) Group is chaired by CityFibre and has membership including BT Openreach, Virgin Media, and several alternative fibre network providers. These members were invited due to the synergies in the projects delivered and risk profile. An area of focus for this group will be benchmarking of service strike rates which is a key risk area for CityFibre.

During 2021 there was one injury to CityFibre staff, which was reportable under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, 2013 ('RIDDOR'). The employee tripped over an extension cable in an office and landed heavily on their ankle resulting in fractures to the foot. A full investigation was undertaken and actions taken to prevent recurrence.

There were 7 incidents reportable under RIDDOR in the year among our construction partners, and whilst there were 6 reported in 2020 this marks a 94% pro-rata reduction given the increase in build activity.

## **Business Ethics**

We work better within an environment of integrity and trust. CityFibre takes a zero-tolerance approach to corrupt behaviour and has put in place policies, training and procedures to reduce the risks faced by our employees and our organisation. We value transparency and expect our suppliers and contractors to hold similar high standards. As part of our due diligence, we require our suppliers and contractors to demonstrate their ethical standards and to work within the terms of our Supplier Code of Conduct.

In 2021, we undertook a full review of our existing controls, uplifting policies where additional mitigation was required. We continue to ensure due diligence of this topic before appointing suppliers and have introduced a more robust process for anti-bribery and corruption, compliance and conflict management.

We regard the potential for bribery and corruption as a potential risk to the business and have established policies and governance that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption.

We have a Group-wide framework of controls designed to prevent and detect bribery. Our Employee Handbook sets out the standards and behaviours we expect from all employees. The document is issued to all employees and is supported by an induction e-learning course so they can adequately understand the Group's zero-tolerance approach to fraud, bribery or corruption of any kind.

None of our investigations over the last year have identified any cases of bribery.

Respect for human rights is incorporated into our employment practices and our values. This is vital in maintaining our reputation as a company that our stakeholders want to do business with, and that our employees want to work for. Our Anti-Slavery Human Trafficking Statement was reviewed in 2021 and is available on our company website. We also have related policies and procedures such as our approach to diversity, anti-discrimination, privacy, equal opportunity and our Supplier Code of Conduct integrates human rights into the way we screen and interact with our supply chain.

## **COVID-19**

Throughout the financial year, we have continued to prioritise our stakeholders, maintain reliable and safe networks and protect against financial implications due to COVID-19.

We have sought to work with our customers and stakeholders to address the challenges they faced as these have evolved over the last year. Our commitment to being a responsible business is central to the way in which we operate. This has been the governing principle behind our response to the COVID-19 pandemic. Good engagement has been crucial in understanding the views of our stakeholders in order to make informed decisions during this period of crisis. For example, the Group has been seeking regular feedback from employees through our annual Employee Voice Survey and monthly All Hands calls with our Executive team that has helped to shape its response to the COVID-19 pandemic.

Throughout the COVID-19 pandemic we have adapted to new ways of working. We have delivered safe, reliable networks, while managing through all the new regulations and restrictions. We worked closely with our contractors across all projects to ensure a safe working environment.

## **Our Planet**

Please refer to the earlier section on Our Planet, within the CEO review on page 9, for further information.

In 2021 several of our Environment, Social and Governance (ESG) employees attended Responsible Business Management Training led by BITC. This was a six-module training programme for professionals designing and delivering responsible business strategies and corporate responsibility programmes and is accredited by the Institute of Leadership and Management (ILM).

We work closely with local communities to help address local issues impacted by our operations. We are members of Street Works UK, the UK's only Trade Association representing utilities and their contractors on street works issues, promoting best practice and a two-way relationship with Government and other relevant stakeholders. In 2021 CityFibre also joined INCA's (Independent Networks Cooperative Association) industry working group for sustainability and became a member of the FTTH Council Europe Sustainability Working Group. This has enabled us to share learning across the fibre industry.

We have an internal Sustainability Steering Group and an Environment and Sustainability Advisor and an ESG Advisor to enhance our performance and measurement of environmental aspects. As part of our certification to ISO 14001 we annually review environmental impacts and aspects associated with our business activities. Our annual sustainability roadmap considers mitigation of material risks. Consideration is also given when exploring innovative build techniques to ensure alignment with the environment for example use of narrow-trenching machines.

CityFibre has undertaken several initiatives aimed at protecting and restoring the local ecosystems, for example, beach cleaning, planting replacement flowers, grass, and trees, clean-up of waterways to provide better landscape and grass verge cutting as part of the build in the local area.

## Our Society

We seek regular feedback from our customers and communities and take action to improve performance. Our approach to responsibility in our communities has been to go beyond providing the safe, reliable fibre network society expects, and work to ensure our economic and social role has the greatest possible impact.

The deployment of high-speed, reliable internet connections to our home, schools and public services is a vital element in enabling our society to adapt to the changing world of social distancing and home working and so, our work continued throughout the year. CityFibre has connected hundreds of businesses, enabling them to make the transition from bricks and mortar to online sales and services.

CityFibre provides gigabit-speed connectivity to thousands of public sector buildings, including medical and care facilities, educational facilities including schools, academies, colleges and universities, enabling the remote video appointments and home-schooling which we have all grown to depend on.

Our city teams are involved in a variety of community engagement and social value initiatives across CityFibre's Gigabit Cities where build programmes are underway or in mobilisation. Many of these initiatives are bespoke to each city, depending on local opportunities and needs. Examples include:

- Supporting six-month job placements for 16–24-year-olds under the Government's Kick Start scheme, providing structured training and development and real-world work experience, designed to help new entrants, build skills, experience, and confidence.
- Working in partnership with social housing landlords on digital inclusion agenda developing initiatives to tackle digital poverty – this includes including donating recycled laptops for local causes, supporting 'Laptops for Kids' National programmes along with local newspapers and supporting the broader 'Donate Digital' agenda in regions supporting broader disadvantaged groups.
- Supporting and sponsoring educational events, working to improve digital skills in our community, supporting interest and careers for young people in science, technology, engineering and mathematics (STEM) industries.

As part of our mission to bring Full Fibre internet to up to 8 million premises across the UK, we are running a recruitment and training programme to fill up to 10,000 network construction jobs. Through this programme, we provide free technical training, equipping people with the required skills for them to then seek employment through our build partners on projects throughout our Gigabit cities.

In addition to our city-based projects, CityFibre works to benefit charities nationwide and make financial donations to support causes aligned to our company values.

In each region the team works in close collaboration with key stakeholders including local authorities, landlords and community groups, to understand the challenges affecting the lives of people within the community and the impact of our build programme. To help communities make the most of the opportunities created by the CityFibre investment, in 2021 City Teams have invested time and resources to help support a range of direct and indirect initiatives.

On behalf of the Board.



Greg Mesch  
Chief Executive Officer  
22 April 2022